



Illinois Department of Revenue

2008 Illinois Electronic Filing Highlights

For 2007 IL-1040 Individual Income Tax Returns

2007 IL-1040 processing changes

In an effort to alleviate concerns expressed by many tax professionals, we made changes to the processing procedures for the upcoming 2008 processing season.

- ◆ To allow enough time for paper and electronic payments to be applied to taxpayer accounts, if a 2007 IL-1040 return is received showing a balance due and a penalty for unpaid tax or underpayment of estimated tax is assessed, the taxpayer notice will not be produced unless there is another problem with the return. However, taxpayers who remain in a balance due status 30 days after the return and payment due date will receive a bill for any money owed the Illinois Department of Revenue.
- ◆ Beginning with the 2008 processing season, we will be sending an ACK "E" acceptance code in the ACK KEY RECORD on electronic IL-1040 return acknowledgments when a credit is taken for Illinois tax paid to another state (IL-1040, Line 19) **and** the out-of-state return is needed for review. The message will alert tax professionals that the electronic return was accepted but the taxpayer's out-of-state return must be submitted to the department via fax. The message will provide the fax number and the number of days a tax professional has to submit the support item before a notice is issued to the client. Due to this change in processing, **retrieving acknowledgments on a daily basis will be crucial** in order to protect these clients from receiving a notice.
- ◆ First time IL-1040 filers will have the option to file their 2007 income tax return using either the tax preparation software or the WebFile method. However, the taxpayer must have an Illinois identification number or drivers license number on file with the Illinois Secretary of State to file using these methods.



Encourage your clients to use the electronic funds withdrawal option to pay their balance due amount. Only 10.7% of tax professional clients are currently using this option compared to 68.8% of WebFile taxpayers.

Form IL-1040 changes

- ◆ Beginning with tax year ending December 31, 2007, taxpayers who had Illinois Income Tax withheld from their unemployment compensation may file electronically.
- ◆ The Illinois Earned Income Credit is now refundable for all taxpayers. If the credit amount exceeds the tax owed, the excess credit will be refunded. See the 2007 IL-1040 instructions for details.
- ◆ National Guard pay from any state may now be subtracted on Form IL-1040. Previously, only Illinois National Guard pay could be subtracted. See the 2007 IL-1040 instructions for details.

Schedule M changes

- ◆ Taxpayers who receive an Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, or Illinois Schedule K-1-T, Beneficiary's Share of Income and Deductions, can file their return electronically and claim their Illinois distributive share of subtractions received from a partnership, S corporation, estate, or trust on Schedule M, Other Additions and Subtractions for Individuals.
- ◆ Taxpayers filing electronically can now report other income additions from the Illinois Schedule M, Line 9. However, only one literal and one dollar amount may be used. No statements or multiple entries will be allowed.
- ◆ Schedule M now includes an addition line for recapture of deductions for contributions to in-state college savings plans when funds are transferred to an out-of-state plan and a subtraction line for railroad unemployment income. In addition, earnings from out-of-state plans that meet certain disclosure requirements no longer have to be added back on Schedule M, Line 5. See the Schedule M instructions for details.

Schedule ED changes

Taxpayers who home school their children and file Schedule ED, Credit for K-12 Education Expenses, must enter "home school" in the "School name" field. These taxpayers must see Publication 119, Education Expense Credit General Rules and Requirements for Home Schools, for specific instructions before completing Schedule ED.

Schedule NR changes

Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax, Lines 24 and 35 have been revised. Line 24 is now deductions for educator expenses and Line 35 is now deductions for tuition and fees.

New Publication

A new publication to clarify the education expense credit has been created. Publication 132, Education Expense Credit General Rules and Requirements for Parents and Guardians, gives detailed information on this credit.

Transmissions

The department supports file transmissions by HTTPS file transmission protocol. Files are transferred to and retrieved from our Gateway server via the internet using Secure Socket Layer (SSL) technology. Other options for transmitting may be available to you. If you need assistance call **1 866 440-8680**.

Quick alerts

Our web site offers a free "Quick alerts" messaging area to tax professionals, software developers, and transmitters which gives current information about important processing changes or problems.



Illinois Department of Revenue

2008 Illinois Electronic Filing Reminders

For 2007 IL-1040 Income Tax Returns

Form IL-8453 retention

Electronic Return Originators (ERO) are **required** to retain all original Forms IL-8453, Illinois Individual Income Tax Electronic Filing Declaration, and the supporting documents at their site for a three year period. All non electronic forms, schedules, and support items that are used to produce an electronic IL-1040 return **must** be attached to Form IL-8453.

We will periodically request selected IL-8453 forms for inspection. However, we ask that you **do not** send any IL-8453 forms to us unless requested.

Acknowledgment retrieval requirement

Transmitters are responsible for retrieving electronic IL-1040 acknowledgments. Illinois provides a separate acknowledgment for each IL-1040, and these acknowledgments should be retrieved on a continuous basis. You should not assume the IL-1040 is an accepted return based on the acceptance of the federal return. In addition, beginning with the 2008 processing season, when a credit for taxes paid to another state is claimed on an electronic IL-1040 and the out-of-state return is needed for review, we will be sending an ACK "E" in the ACK KEY RECORD on your acknowledgments. The message will alert tax professionals to submit a specific taxpayer's out-of-state return via fax and will also give the number of days you will have to submit it before a notice requesting the out-of-state return is issued to your client. **Due to this change in processing, retrieving your acknowledgments on a daily basis will be crucial** in order to prevent your clients from receiving a notice.

Federal/State retransmission

If an electronic IL-1040 return is being filed using the federal/state transmission method and the state packet is rejected by us, the electronic IL-1040 return can be retransmitted providing the software being used supports the transmission of state-only returns.

Electronic Schedule CR

The electronic Schedule CR, Credit for Tax Paid to Other States, can be submitted **only** for full-year Illinois residents who earned income in the six states listed below. These states must be identified by the standard postal abbreviations or the electronic return will be rejected.

Missouri (MO) Indiana (IN) Iowa (IA) Kentucky (KY) Michigan (MI) Wisconsin (WI)

Publication 111, Illinois Schedule CR Comparison Formulas for Individuals, provides a formula that shows how to compute double-taxed income and tax when figuring Illinois Schedule CR. You can find this publication on our web site at **tax.illinois.gov**.

Electronic funds withdrawal (direct debit) payment option

Taxpayers who owe additional tax on their 2007 IL-1040 may pay the amount they owe by directly debiting their checking or savings account. Taxpayers may also use this payment option by visiting our web site at **tax.illinois.gov**. Only 10.7% of tax professional clients are currently using this option to pay their balance due amount compared to 68.8% of WebFile taxpayers. Please encourage your clients to use this option.

Credit card payment option

Taxpayers can pay their 2007 IL-1040 balance due amount over the telephone or through the internet by using MasterCard, Discover, American Express or Visa cards. There will be an additional convenience fee assessed to their credit card account by the service provider. Taxpayers who would like to pay the amount they owe by credit card can visit **www.officalpayments.com** or call **1 800 272-9829**. Taxpayers will be asked for a Jurisdiction Code, which is 2300.